

VILLAGE OF BREEDSVILLE, MICHIGAN

Report on Audit of Financial Statements  
For the Year Ended  
March 31, 2007

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Breedsville	County Van Buren
Fiscal Year End 3/31/07	Opinion Date 8/20/07	Date Audit Report Submitted to State 10/30/07	

We affirm that:

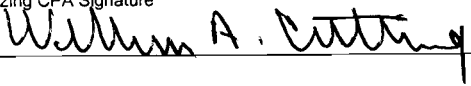
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☐ ☒ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☐ ☒ The audit opinion is UNQUALIFIED.
  - ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Cutting & Cutting, P.C.		Telephone Number (269) 657-4720	
Street Address 303 Paw Paw St., Suite 4		City Paw Paw	State MI
		Zip 49079	
Authorizing CPA Signature 		Printed Name William A. Cutting	License Number 1938

## CONTENTS

Independent Auditor's Report	1
Financial Statements	
Combined Balance Sheet-Cash Basis-All Fund Types	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances- Cash Basis-All Fund Types	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances- Cash Basis-Budget and Actual-General and Special Revenue Funds	3
Notes to Financial Statements	4
Supplemental Data	
Combining Balance Sheet-Cash Basis-Special Revenue Funds	6
Balance Sheet-Cash Basis-General Fund	7
Statement of Revenues, Expenditures and Changes in Fund Balance- Cash Basis-General Fund	8
Major Street Fund-Cash Basis	9
Local Street Fund-Cash Basis	10
Letter of Comments and Recommendations	11

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WILLIAM A. CUTTING  
BRUCE T. CUTTING

TELEPHONE  
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August 20, 2007

INDEPENDENT AUDITOR'S REPORT

Members of Village Council  
Breedsville, Michigan

We have audited the accompanying general purpose financial statements of Village of Breedsville as of March 31, 2007, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Breedsville Village management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Village's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Village of Breedsville, as of March 31, 2007, or the changes in its financial position for the year then ended.

*Cutting & Cutting, P.C.*

COMBINED BALANCE SHEET-CASH BASIS-ALL FUND TYPES  
VILLAGE OF BREEDSVILLE  
March 31, 2007

	<u>General</u>	<u>Special Revenue</u>	Total (Memorandum Only)
<b>Assets</b>			
Cash	\$ <u>96,124</u>	\$ <u>40,957</u>	\$ <u>137,081</u>
	\$ <u><u>96,124</u></u>	\$ <u><u>40,957</u></u>	\$ <u><u>137,081</u></u>
<b>Liabilities and Fund Balance</b>			
Fund balance	\$ <u>96,124</u>	\$ <u>40,957</u>	\$ <u>137,081</u>
	\$ <u><u>96,124</u></u>	\$ <u><u>40,957</u></u>	\$ <u><u>137,081</u></u>

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES-CASH BASIS-ALL FUND TYPES  
VILLAGE OF BREEDSVILLE  
Year ended March 31, 2007

	<u>General</u>	<u>Special Revenue</u>	Total (Memorandum Only)
<b>Revenues</b>			
Taxes	\$ 13,918		\$ 13,918
State shared revenues	24,454	\$ 31,225	55,679
Interest income	1,856	319	2,175
Other	<u>367</u>		<u>367</u>
	40,595	31,544	72,139
<b>Expenditures</b>			
General government	20,735		20,735
Public safety	137		137
Public works	10,035	26,596	36,631
Other	<u>2,196</u>		<u>2,196</u>
	<u>33,103</u>	<u>26,596</u>	<u>59,699</u>
Excess of revenues over expenditures	7,492	4,948	12,440
Beginning fund balance	<u>88,632</u>	<u>36,009</u>	<u>124,641</u>
Ending fund balance	\$ <u><u>96,124</u></u>	\$ <u><u>40,957</u></u>	\$ <u><u>137,081</u></u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
CASH BASIS-BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE FUNDS  
VILLAGE OF BREEDSVILLE  
Year ended March 31, 2007

	<u>General Fund</u>		<u>Variance Favorable (Unfavorable)</u>	<u>Special Revenue Funds</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Amended Budget</u>	<u>Actual</u>		<u>Amended Budget</u>	<u>Actual</u>	
Revenues						
Taxes	\$ 11,300	\$ 13,918	\$ 2,618			
State shared revenues	21,663	24,454	2,791	\$ 29,500	\$ 31,225	\$ 1,725
Interest income	1,225	1,856	631			
Other	<u>600</u>	<u>367</u>	<u>(233)</u>	<u>230</u>	<u>319</u>	<u>89</u>
	34,788	40,595	5,807	29,730	31,544	1,814
Expenditures						
General government	34,900	20,735	14,165			
Public safety	137	137				
Public works	9,550	10,035	(485)	32,750	26,596	6,154
Other	<u>6,050</u>	<u>2,196</u>	<u>3,854</u>	<u>32,750</u>	<u>26,596</u>	<u>6,154</u>
	50,637	33,103	17,534			
Excess of revenues over expenditures	\$ <u>(15,849)</u>	7,492	\$ <u>23,341</u>	\$ <u>(3,020)</u>	4,948	\$ <u>7,968</u>
Beginning fund balance		<u>88,632</u>			<u>36,009</u>	
Ending fund balance		\$ <u>96,124</u>			\$ <u>40,957</u>	

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS  
VILLAGE OF BREEDSVILLE  
March 31, 2007

Breedsville is a general law village in Van Buren County, Michigan. It has a population of approximately 235.

1. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared using the cash basis of accounting.

A. Reporting Entity

The Village's general purpose financial statements include the accounts of all Village operations. The criteria for including organizations within the Council's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", is financial accountability. Financial Accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

B. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the cash basis of accounting. Their revenues are recognized when the cash is received. Expenditures are recognized when the cash is disbursed.

D. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

E. Budgets and Budgetary Accounting

The Village prepares a budget that is adopted at the March meeting for the following year. The budget is amended as necessary.

2. Property Tax

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on June 2. The Village bills and collects its own property taxes. Village property tax revenues are recognized when collected.

The Village is permitted by the State to levy taxes up to 12.5 mills of taxable valuation for general governmental services and 5 mills for streets. The tax rate levied to finance general government services for the year ended March 31, 2007 was 6.1967 mills for the General Fund; no millage was levied for the Street Funds.

3. Cash and Equivalents

State statutes authorize the Village to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Certificates of deposit with a maturity over three months are considered investments.

The Village's deposits are in accordance with statutory authority.

The Government Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

<u>Deposits</u>	<u>Book Carrying Amount</u>	<u>Bank Deposit Amount</u>	<u>GASB Category of Risk</u>
Insured	\$ 137,081	\$ 138,490	(1)
GASB Category of Risk (1) Insured or registered			

4. Risk Management

The Village of Breedsville is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Village insures with Michigan Municipal Liability and Property Pool.

5. Change in Reporting Format

GASB 34 requires certain governmental units to change their reporting format to allow for recognition of physical assets, depreciation expense and certain other items. The Village has not adopted this format.



COMBINING BALANCE SHEET-CASH BASIS-SPECIAL REVENUE FUNDS  
VILLAGE OF BREEDSVILLE  
March 31, 2007

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Assets			
Cash	\$ <u>23,714</u>	\$ <u>17,243</u>	\$ <u>40,957</u>
Liabilities and Fund Balance			
Fund balance	\$ <u>23,714</u>	\$ <u>17,243</u>	\$ <u>40,957</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
Year ended March 31, 2007

Revenues			
State shared revenues	\$ 23,291	\$ 7,934	\$ 31,225
Interest income	<u>175</u>	<u>144</u>	<u>319</u>
	23,466	8,078	31,544
Expenditures			
Routine maintenance	12,265	5,250	17,515
Winter maintenance	6,330	2,620	8,950
Other	<u>119</u>	<u>12</u>	<u>131</u>
	<u>18,714</u>	<u>7,882</u>	<u>26,596</u>
Excess of revenues over expenditures	4,752	196	4,948
Beginning fund balance	<u>18,962</u>	<u>17,047</u>	<u>36,009</u>
Ending fund balance	\$ <u>23,714</u>	\$ <u>17,243</u>	\$ <u>40,957</u>

BALANCE SHEET-CASH BASIS  
GENERAL FUND  
VILLAGE OF BREEDSVILLE  
March 31, 2007

Assets	
Cash	\$ <u>96,124</u>
	\$ <u>96,124</u>
Liabilities and Fund Balance	
Fund balance	\$ <u>96,124</u>
	\$ <u>96,124</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
CASH BASIS-GENERAL FUND  
VILLAGE OF BREEDSVILLE  
Year ended March 31, 2007

	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 11,300	\$ 13,918	\$ 2,618
State shared revenues	21,663	24,454	2,791
Interest income	1,225	1,856	631
Other	<u>600</u>	<u>367</u>	<u>(233)</u>
	34,788	40,595	5,807
Expenditures			
General government			
Village council	24,100	13,734	10,366
Elections	600		600
Clerk	2,050	2,161	(111)
Treasurer	2,550	1,899	651
Village Hall	<u>5,600</u>	<u>2,941</u>	<u>2,659</u>
	34,900	20,735	14,165
Liquor law enforcement	137	137	
Public works	9,550	10,035	(485)
Recreation and parks	<u>6,050</u>	<u>2,196</u>	<u>3,854</u>
	50,637	33,103	17,534
Excess of revenues over expenditures \$	<u>(15,849)</u>	7,492	\$ <u>23,341</u>
Beginning fund balance		<u>88,632</u>	
Ending fund balance		\$ <u>96,124</u>	

BALANCE SHEET-CASH BASIS  
MAJOR STREET FUND  
VILLAGE OF BREEDSVILLE  
March 31, 2007

	Assets	
Cash		\$ <u>23,714</u>
	Liabilities and Fund Balance	
Fund balance		\$ <u>23,714</u>

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-CASH BASIS  
Year ended March 31, 2007

	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
State shared revenues	\$ 22,000	\$ 23,291	\$ 1,291
Interest income	<u>110</u>	<u>175</u>	<u>65</u>
	22,110	23,466	1,356
Expenditures			
Routine maintenance	10,000	12,265	(2,265)
Winter maintenance	7,000	6,330	670
Other	<u>7,650</u>	<u>119</u>	<u>7,531</u>
	<u>24,650</u>	<u>18,714</u>	<u>5,936</u>
Excess of revenues over expenditures	(2,540)	4,752	7,292
Other financing sources and uses			
Transfer to Local Street Fund	<u>(5,000)</u>	_____	<u>5,000</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>7,540</u>	4,752	\$ <u>12,292</u>
Beginning fund balance		<u>18,962</u>	
Ending fund balance		\$ <u>23,714</u>	

BALANCE SHEET-CASH BASIS  
LOCAL STREET FUND  
VILLAGE OF BREEDSVILLE  
March 31, 2007

	Assets	
Cash		\$ <u>17,243</u>
	Liabilities and Fund Balance	
Fund balance		\$ <u>17,243</u>

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-CASH BASIS  
Year ended March 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
State shared revenues	\$ 7,500	\$ 7,934	\$ 434
Interest income	<u>120</u>	<u>144</u>	<u>24</u>
	7,620	8,078	458
Expenditures			
Routine maintenance	3,000	5,250	(2,250)
Winter maintenance	4,000	2,632	1,368
Tree trimming	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>
	<u>8,100</u>	<u>7,882</u>	<u>218</u>
Excess of revenues over expenditures	(480)	196	676
Other financing sources and uses			
Transfer from Major Street Fund	<u>5,000</u>	_____	<u>(5,000)</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>4,520</u>	196	\$ <u>4,324</u>
Beginning fund balance		<u>17,047</u>	
Ending fund balance		\$ <u>17,243</u>	

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WILLIAM A. CUTTING  
BRUCE T. CUTTING

TELEPHONE  
269-657-4720

August 20, 2007

Members of the Village Council  
Breedsville, Michigan

The audit work necessary to express an opinion on the financial statements of the Village of Breedsville included a review of the Village's accounting procedures and the related internal controls. As a result of this review we offer comments and recommendations for your consideration.

Internal Control

There is an absence of appropriate segregation of duties. However, this condition is not unusual in small governmental units.

The above comment is submitted to you to develop good accounting procedures and is not intended to reflect upon the performance of any individual.

*Cutting & Cutting, P.C.*